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TO: All State of Delaware employees eligible to participate in 403(b) Plan

FROM: Josh Hitchens, Financial Investment Program Manager
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DATE: October 25, 2011

RE: Annual Notice - State of Delaware 403(b) Plan Enrollment Information

- **403(b) Plan:** The State of Delaware is a tax-exempt government employer, and sponsors a retirement savings plan as described under section 403(b) of the Internal Revenue Code ("403(b) Plan"). The purpose of this notice is to ensure that you are aware of the 403(b) Plan and provide you with the information necessary to enroll. Under the 403(b) Plan, employees may make contributions on a pre-tax basis to a 403(b) account, where the earnings grow tax-deferred until they are distributed. It is the employee's responsibility to select an investment service provider or "vendor" among the approved vendors available under the 403(b) Plan, and to select among the investments offered by such vendor. It is also your responsibility to understand the tax and investment consequences of the custodial account or annuity you selected for investment. You may seek investment, legal, or tax advice if necessary, or see IRS Publication 571 (Tax Sheltered Annuity Programs for Employees of Public Schools) at www.irs.gov.
- **Who is Eligible:** All employees of State of Delaware elementary and secondary public schools, Delaware State University, Delaware Technical and Community College and the Delaware Department of Education are eligible to participate in the 403(b) Plan.



- **Enrollment:** Generally, an employee may enroll in the 403(b) Plan as a new hire or at any time during the year by logging onto <https://www.myretirementmanager.com>. This link can also be accessed from the State of Delaware Deferred Compensation Plans website at www.DelawareSaves.com.
- **Annual Contribution Limits:** The maximum annual amount that may be contributed from your salary to a 403(b) plan is set by the IRS and is \$16,500 for 2011. If you are age 50 or over by the end of 2011, you may contribute an additional \$5,500 for 2011 for a total of \$22,000. The annual contribution limit for 2012 will be increased to \$17,000. The age 50 catch-up contribution limit will remain at \$5,500 for a total of \$22,500. Employees are also able to make after-tax Roth contributions to the 403(b) Plan. This contribution type does not alter the contribution limits mentioned above.
- **Distributions:** Generally, distributions from your 403(b) Plan account may be made following your severance from employment, death, disability or attainment of age 59 ½. Distributions can also be made if you experience a financial hardship. All distributions are subject to the rules and limitations under the investment contracts offered by the vendors.
- **Vendors:** The State has posted a list of the approved vendors for the 403(b) Plan at www.DelawareSaves.com. Those who do not have access to the internet may contact Gary Scheidecker, Plan Administrator at 302-672-6706 to obtain the list of approved vendors. The State will review its approved vendors and may make other changes as needed.



Employees may select one or more approved vendors for investment purposes under the 403(b) Plan, and select among the investment funds offered by the selected vendor(s) for your 403(b) Plan account. Employees have the right to change from one approved vendor to another approved vendor for future contributions at any time. However, transfers to a vendor other than an approved vendor are currently restricted due to a change in the law.

It is important to understand any redemption fees, surrender charges, or other withdrawal restrictions which may be imposed on changes in investments. Please educate yourself about the fees, charges and restrictions *prior to selecting a vendor* since you may wish to change vendors or investments at some time in the future.

- **Cancellation by the Employee:** You have the right to discontinue future 403(b) contributions at any time by logging into www.myretirementmanager.com.
- **Termination of Payroll Deduction:** There are circumstances where your 403(b) contribution can be automatically stopped by your employer. If a vendor notifies your payroll department that you took a hardship withdrawal, your contributions are required to be suspended for 6 months. At the end of the 6-month period, you may restart your salary deductions. If the amount of contributions from your salary exceeds the annual contribution limit, your employer will automatically terminate the payroll deduction and notify you. If a vendor notifies your payroll department that it has no record of your account, the deduction will be stopped immediately in the payroll system and no further deductions will be made until the problem is resolved by you, and the vendor notifies your payroll department in writing that the 403(b) account on file is valid.

Note: It is important that employees contemplating contributions to a 403(b) account understand that this is a personal financial investment decision for which the employee is solely responsible. Neither the State of Delaware nor the applicable school district recommends or guarantees any 403(b) investment marketed by any vendor.